

To RFP or Not to RFP: that is the Question

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Managing Supply Chain Complexities during a Merger or Acquisition



Wall Street demands synergies. The Board wants answers and your customers don't want to feel a thing. This is the life of a supply chain professional during a merger. After the merger is finalized a supply chain professional is left with two of everything; two manufacturing structures; two sets distribution channels; two sets of every transportation lane on the planet and even two post sales service structures. The goal, stating the obvious, is how to lower costs through synergies while delivering flawless execution to the customers that both companies serve.



I'm sure that your procurement organization will pull out the merger playbook and proceed in a step by step process of identifying all suppliers and drafting template RFP's for each section of the value chain. Let me offer a different approach, the advantage of a merger is "built in benchmarking". In most situations, between the two companies participating in the merger, a supply chain professional will have a very complete list of services and prices from a variety of suppliers in all segments of the supply chain. By comparing prices and services between the contracts already in place across the two companies, the supply chain professional has a luxury most professionals don't, accurate and complete benchmarking across the supply chain.

Take advantage of this situation by selecting a key partner, such as a global

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integrated logistics provider defined as a logistics provider that provides multi-modal transportation, distribution and post sales services. An integrated 3PL can offer innovative solutions to help lower cost. The RFP process, while effective at driving prices down on a narrow set of services, will inevitably “box in” your suppliers by: 1) limiting innovation 2) eliminating process improvement up and down the value chain and 3) driving out best practices that can be enjoyed by utilizing partners who have visibility into the best practices across multiple supply chains.

There will be pressures in your organization to follow the playbook, voices will say “you can’t trust suppliers to deliver the lowest cost without an RFP”, “we can’t use just a handful of suppliers, that will limit our leverage”, or “giving our partners transparency will show our dirty laundry and reduce our credibility”. I say, these voices don’t understand the value of collaboration. They don’t understand that in order to truly drive cost out of the supply chain, best practices must be shared, transparency must be given into the total cost and that integrated supply chain solutions across transportation, distribution and post sales services offers the best chance to lower cost permanently. A single RFP or multiple RFP’s simply cannot drive savings equal to the savings derived from collaboration governed by benchmarking.

So the question is "To RFP or Not to RFP"...smart professionals choose collaboration.

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